

**STATE OF MONTANA
LEGISLATIVE BRANCH
EXCLUDING THE CONSUMER COUNSEL
FINANCIAL-COMPLIANCE AUDIT FOR THE
TWO FISCAL YEARS ENDED JUNE 30, 2007**

**JUNKERMIER, CLARK, CAMPANELLA, STEVENS, P.C.
Certified Public Accountants and Business Advisors**

LEGISLATIVE AUDIT DIVISION

Scott A. Seacat, Legislative Auditor
Tori Hunthausen,
Chief Deputy Legislative Auditor



Deputy Legislative Auditors:
James Gillett
Angie Grove

October 2007

The Legislative Audit Committee
of the Montana State Legislature:

Enclosed is the report on the financial audit of the Montana Legislative Branch for the two fiscal years ended June 30, 2007.

The audit was conducted by Junkermier, Clark, Campanella, Stevens, PC under a contract between the firm and our office. The comments contained in this report represent the views of the firm and not necessarily the Legislative Auditor.

The Branch's written response to the report is included in the back of the audit report.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Scott A. Seacat", written over a horizontal line.

Scott A. Seacat
Legislative Auditor

07C-05

**STATE OF MONTANA
LEGISLATIVE BRANCH
EXCLUDING THE CONSUMER COUNSEL
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**LEGISLATIVE BRANCH
EXCLUDING THE CONSUMER COUNSEL
ELECTED AND APPOINTED OFFICIALS
AS OF JUNE 30, 2007**

LEGISLATIVE COUNCIL AND LEGISLATIVE SERVICES DIVISION

REPRESENTATIVES

Debby Barrett
Bob Bergren - Presiding Officer
Margarett Campbell
Dennis Himmelberger - Vice Presiding Officer
Dave McAlpin
Scott Sales

SENATORS

Gregory Barkus
Vicki Cocchiarella
Mike Cooney
Kelly Gebhardt
Dan Harrington
Corey Stapleton

EXECUTIVE DIRECTOR: Susan Byorth Fox

LEGISLATIVE AUDIT COMMITTEE AND LEGISLATIVE AUDIT DIVISION

REPRESENTATIVES

Bill Beck
William Glaser
Betsy Hands
Hal Jacobson - Vice Presiding Officer
Mike Phillips
John Sinrud

SENATORS

Joe Balyeat - Presiding Officer
Gregory Barkus
Steve Gallus
Dave Lewis
Lynda Moss
Mitch Tropila

LEGISLATIVE AUDITOR: Scott A. Seacat

LEGISLATIVE FINANCE COMMITTEE AND LEGISLATIVE FISCAL DIVISION

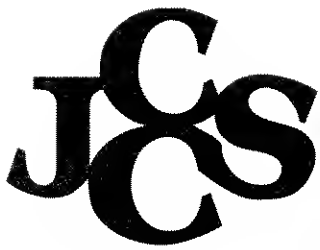
REPRESENTATIVES

Ron Erickson
Cynthia Hiner
Dave Kasten
Rick Ripley - Vice Presiding Officer
Jon Sesso
Janna Taylor

SENATORS

Trudi Schmidt - Presiding Officer
John Brueggeman
John Cobb
Keith Bales
Dave Wanzenried
Carol Williams

LEGISLATIVE FISCAL ANALYST: Clayton L. Schenck



Junkermier • Clark
Campanella • Stevens • P.C.

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INDEPENDENT AUDITORS' REPORT

The Legislative Audit Committee
Of the Montana State Legislature:

We have audited the accompanying financial schedules of the Legislative Branch, excluding the Consumer Counsel (the Legislative Branch), for the fiscal years ended June 30, 2006 and 2007, as listed in the table of contents. These financial schedules are the responsibility of the Branch's management. Our responsibility is to express an opinion on these financial schedules based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1 to the financial schedules, the Legislative Branch's financial schedules are prepared in accordance with state accounting policy, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial schedules referred to above present fairly, in all material respects, the results of operations and changes in fund balances of the Legislative Branch for the fiscal years ended June 30, 2006 and 2007, in conformity with the basis of accounting described in Note 1.

This report is intended solely for the information and use of the audit committee, management and the Legislature and is not intended to be and should not be used by anyone other than these specified parties.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 25, 2007 on our consideration of the Legislative Branch's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Junkermier, Clark, Campanella, Stevens, P.C.

Helena, Montana
October 25, 2007

LEGISLATIVE BRANCH
SCHEDULE OF CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

FUND BALANCE: July 1, 2005	General Fund	State Special Revenue Fund
	<u>\$ (708,861)</u>	<u>\$ 211,387</u>
ADDITIONS		
Budgeted Revenues & Transfers-In	6,990	3,109,527
Nonbudgeted Revenues & Transfers-In	3,335	74,577
Prior Year Revenues & Transfers-In Adjustments		(385)
Direct Entries to Fund Balance	9,870,791	176,488
Total Additions	<u>9,881,116</u>	<u>3,360,207</u>
REDUCTIONS		
Budgeted Expenditures & Transfers-Out	9,164,165	2,296,983
Nonbudgeted Expenditures & Transfers-Out	(1,146)	(158)
Prior Year Expenditures & Transfers-Out Adjustments	495,999	518
Total Reductions	<u>9,659,018</u>	<u>2,297,343</u>
FUND BALANCE: June 30, 2006	<u>\$ (486,763)</u>	<u>\$ 1,274,251</u>

See the notes to financial statements.

LEGISLATIVE BRANCH
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

TOTAL REVENUES & TRANSFERS-IN BY CLASS

	General Fund	State Special Revenue Fund	Total
Taxes	\$ 2,154		\$ 2,154
Charges for Services		1,492,857	1,492,857
Investment Earnings		17,039	17,039
Sale of Documents, Merchandise and Property	6,990	1,179,558	1,186,547
Miscellaneous	1,181		1,181
Grants, Contracts, Donations and Abandonments		320	320
Other Financing Sources		493,945	493,945
Total Revenues & Transfers-In	10,325	3,183,719	3,194,045
Less: Nonbudgeted Revenues & Transfers-In	3,335	74,577	77,913
Prior Year Revenues & Transfers-In Adjustments		(385)	(385)
Actual Budgeted Revenues & Transfers-In	6,990	3,109,527	3,116,516
Estimated Revenues & Transfers-In	5,911	3,167,819	3,173,730
Budgeted Revenues & Transfers-In Over (Under) Estimated	\$ 1,079	\$ (58,292)	\$ (57,214)

BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS

Charges for Services		\$ (118,338)	\$ (118,338)
Investment Earnings		12,038	12,038
Sale of Documents, Merchandise and Property	1,079	48,254	49,333
Grants, Contracts, Donations and Abandonments		(192)	(192)
Other Financing Sources		(55)	(55)
Budgeted Revenues & Transfers-In Over (Under) Estimated	\$ 1,079	\$ (58,292)	\$ (57,214)

See the notes to financial statements.

LEGISLATIVE BRANCH
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

PROGRAM (CURG) EXPENDITURES & TRANSFERS-OUT

	AUDIT & EXAMINATION	FISCAL ANALYSIS & REVIEW	LEGIS. COMMITTEES & ACTIVITIES	LEGISLATIVE SERVICES	LEGISLATIVE SERVICES FIELD BILL	LEGISLATURE - HOUSE	LEGISLATURE - SENATE	Total
Personal Services								
Salaries	\$ 2,400,273	\$ 954,460	\$ 81,261	\$ 2,620,455	\$ 1,057	\$ 48,915	\$ 30,651	\$ 6,137,072
Other Compensation								
Employee Benefits	650,408	252,070	7,782	707,186	314	28,215	14,108	42,323
Total	3,050,681	1,206,530	89,043	3,327,641	1,371	628,768	302,737	2,549,265
Operating Expenses								
Other Services	106,308	12,543	195,912	924,715	43,669	135	173	1,283,455
Supplies & Materials	33,535	3,115	1,395	477,234		195	108	515,582
Communications	23,805	9,666	6,179	93,570	13,163	59	22	146,484
Travel	42,347	10,371	174,273	15,556		26,326	11,254	280,127
Rent			100	155,191		75	75	155,441
Repair & Maintenance	426	2		94,063			356	94,847
Other Expenses	38,382	722	111,706	82,587		1,691	1,049	236,147
Total	244,813	36,419	489,565	1,842,916	56,832	28,481	13,037	2,712,063
Equipment & Intangible Assets								
Equipment								
Total				21,693				21,693
Transfers								
Accounting Entry Transfers								
Total	80,600	11,180	150	570	186,325	146,670	58,450	493,945
Total	80,600	11,180	150	570	186,325	146,670	58,450	493,945
Total Expenditures & Transfers-Out	\$ 3,376,094	\$ 1,254,129	\$ 578,758	\$ 5,192,820	\$ 244,528	\$ 881,049	\$ 428,983	\$ 11,956,361
EXPENSES-OUT & TRANSFERS-OUT BY FUND								
General Fund	\$ 1,941,405	\$ 1,254,129	\$ 546,556	\$ 4,362,369	\$ 244,528	\$ 881,049	\$ 428,983	\$ 9,659,018
State Special Revenue Fund	1,434,690		32,202	830,451				2,297,343
Total Expenditures & Transfers-Out	3,376,094	1,254,129	578,758	5,192,820	244,528	881,049	428,983	11,956,361
Less: Rebudgeted Expenditures & Transfers Out	(558)	(214)	4	(557)	(1)	(22)	44	(1,304)
First Year Expenditures & Transfers Out Adjustments	81,473	11,308	184	2,127	186,325	146,670	68,450	496,517
Actual Budgeted Expenditures & Transfers Out	3,295,119	1,243,035	578,590	5,191,250	58,204	734,401	360,489	11,461,148
Budget Authority	3,767,954	1,349,682	690,352	5,519,765	177,672	1,212,097	796,828	13,514,350
Unspent Budget Authority	472,775	106,647	111,762	328,515	119,468	477,696	436,339	2,053,202
UNSPENT BUDGET AUTHORITY BY FUND								
General Fund	\$ 387,660	\$ 106,647	\$ 93,964	\$ 300,736	\$ 119,468	\$ 477,696	\$ 436,339	\$ 1,922,540
State Special Revenue Fund	85,085		17,798	27,779				130,662
Unspent Budget Authority	472,775	106,647	111,762	328,515	119,468	477,696	436,339	2,053,202

See the notes to financial statements

LEGISLATIVE BRANCH
SCHEDULE OF CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	General Fund	State Special Revenue Fund
FUND BALANCE: July 1, 2006	\$ (486,763)	\$ 1,274,251
ADDITIONS		
Budgeted Revenues & Transfers-In	32,216	1,953,061
Nonbudgeted Revenues & Transfers-In	2,290	48,241
Prior Year Revenues & Transfers-In Adjustments		442
Direct Entries to Fund Balance	14,563,204	(76,814)
Total Additions	14,597,709	1,924,930
REDUCTIONS		
Budgeted Expenditures & Transfers-Out	14,985,870	1,971,075
Nonbudgeted Expenditures & Transfers-Out	(4,440)	(535)
Total Reductions	14,981,430	1,970,540
FUND BALANCE: June 30, 2007	\$ (870,484)	\$ 1,228,641

See the notes to financial statements.

LEGISLATIVE BRANCH
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

TOTAL REVENUES & TRANSFERS-IN BY CLASS	General Fund	State Special Revenue Fund	Total
Taxes	\$ 1,925		\$ 1,925
Charges for Services		\$ 1,559,296	\$ 1,559,296
Investment Earnings		27,899	27,899
Sale of Documents, Merchandise and Property	32,216	33,299	65,515
Miscellaneous	365		365
Grants, Contracts, Donations and Abandonments		1,550	1,550
Other Financing Sources		379,700	379,700
Total Revenues & Transfers-In	34,506	2,001,744	2,036,250
Less: Nonbudgeted Revenues & Transfers-In	2,290	48,241	50,531
Prior Year Revenues & Transfers-In Adjustments		442	442
Actual Budgeted Revenues & Transfers-In	32,216	1,953,061	1,985,277
Estimated Revenues & Transfers-In	8,945	1,876,117	1,885,062
Budgeted Revenues & Transfers-In Over (Under) Estimated	\$ 23,271	\$ 76,944	\$ 100,215
BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS			
Charges for Services		\$ 71,636	\$ 71,636
Investment Earnings		2,899	2,899
Sale of Documents, Merchandise and Property	\$ 23,271	1,659	24,930
Grants, Contracts, Donations and Abandonments		1,050	1,050
Other Financing Sources		(300)	(300)
Budgeted Revenues & Transfers-In Over (Under) Estimated	\$ 23,271	\$ 76,944	\$ 100,215

See the notes to financial statements.

LEGISLATIVE BRANCH
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

PROGRAM (ORG) EXPENDITURES & TRANSFERS-OUT	AUDIT & EXAMINATION	FISCAL ANALYSIS & REVIEW	LEGIS. COMMITTEES & ACTIVITIES	LEGISLATIVE SERVICES	LEGISLATIVE SERVICES FEED BILL	LEGISLATURE - HOUSE	LEGISLATURE - SENATE	Total
Personal Services:								
Salaries	\$ 2,550,747	\$ 1,112,321	\$ 32,126	\$ 2,829,239	\$ 92,168	\$ 1,329,734	\$ 812,414	\$ 8,758,749
Other Compensation	702,407	286,442	3,119	750,860	14,718	1,194,875	596,746	1,791,621
Employer Benefits	3,253,154	1,398,763	35,245	3,580,099	106,886	893,637	443,438	3,094,621
Total						3,418,246	1,852,598	13,644,991
Operating Expenses:								
Other Services	31,416	38,968	7,644	721,503	328,190	22,011	18,468	1,168,200
Supplies & Materials	35,002	3,388	266	344,203	16,179	22,114	18,672	439,824
Communications	19,032	9,691	2,352	61,853	44,142	4,357	3,646	145,073
Travel	54,403	6,558	62,866	14,096		101,761	52,873	292,357
Rent	100			155,436		1,875	2,175	159,586
Repair & Maintenance				110,388				110,388
Other Expenses:	34,834	364	113,911	58,712	13	108,693	65,111	381,638
Total	174,788	58,969	187,039	1,466,191	388,524	280,811	160,745	2,697,066
Equipment & Intangible Assets								
Equipment				226,646				226,646
Total				226,646				226,646
Transfers:								
Accounting Entry Transfers	273,400	41,500	6,500	61,867				383,267
Total	273,400	41,500	6,500	61,867				383,267
Total Expenditures & Transfers-Out	\$ 3,701,341	\$ 1,499,232	\$ 228,784	\$ 5,334,803	\$ 495,410	\$ 3,679,057	\$ 2,013,343	\$ 16,951,970
EXPENDITURES & TRANSFERS-OUT BY FUND								
General Fund	\$ 2,083,878	\$ 1,499,232	\$ 222,727	\$ 4,987,763	\$ 495,410	\$ 3,679,057	\$ 2,013,343	\$ 14,981,430
State Special Revenue Fund	1,617,463		6,057	347,020				1,970,540
Total Expenditures & Transfers Out	3,701,341	1,499,232	228,784	5,334,803	495,410	3,679,057	2,013,343	16,951,970
Less: Nonbudgeted Expenditures & Transfers-Out	(1,421)	(591)	(21)	(1,621)	(55)	(775)	(491)	(4,975)
Actual Budgeted Expenditures & Transfers Out	3,702,762	1,499,823	228,805	5,336,424	495,465	3,679,832	2,013,834	16,956,945
Budget Authority	4,156,352	1,511,916	310,592	5,805,538	774,378	5,092,216	3,087,522	20,738,514
Unspent Budget Authority	453,590	12,093	81,787	469,114	278,913	1,412,384	1,073,688	\$ 3,781,569
UNSPENT BUDGET AUTHORITY BY FUND								
General Fund	\$ 357,728	\$ 12,093	\$ 70,046	\$ 408,739	\$ 278,913	\$ 1,412,384	\$ 1,073,688	\$ 3,613,591
State Special Revenue Fund	95,862		11,741	60,375				167,978
Unspent Budget Authority	453,590	12,093	81,787	469,114	278,913	1,412,384	1,073,688	\$ 3,781,569

See the notes to financial statements.

**LEGISLATIVE BRANCH
EXCLUDING THE CONSUMER COUNSEL
NOTES TO FINANCIAL STATEMENTS
June 30, 2006 and 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Legislative Branch uses the modified accrual basis of accounting, as defined by state accounting policy, for its Funds. In applying the modified accrual basis, the Legislative Branch records:

Revenues when it receives cash or when receipts are measurable and available to pay current period liabilities.

Expenditures for valid obligations when the department incurs the related liability and it is measurable, with the exception of the cost of employees' annual and sick leave. State accounting policy requires the Legislative Branch to record the cost of employees' annual leave and sick leave when used or paid.

Expenditures and expenses may include: entire budgeted service contracts even though the Legislative Branch receives the services in a subsequent fiscal year; goods ordered with a purchase order before fiscal year-end, but not received as of fiscal year-end; and equipment ordered with a purchase order before fiscal year-end.

Financial Schedule Presentation

The financial schedule format is in accordance with the policy of the Legislative Audit Committee. The financial schedules are prepared from the transactions posted to the Statewide Accounting, Budgeting and Human Resource System without adjustment.

Accounts are organized in funds according to state law. The Legislative Branch uses the following funds:

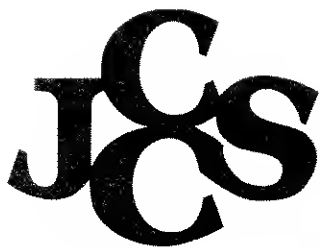
Governmental Funds:

General Fund -used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund -used to account for proceeds of specific revenue sources legally restricted to expenditures for specific purposes.

2. GENERAL FUND BALANCE

The General Fund is a statewide fund. Each agency does not have a separate General Fund since its only authority is to pay obligations from the statewide General Fund within its appropriation limits. The beginning and ending fund balances reported on the accompanying Schedules of Changes in Fund Balance reflect the Legislative Branch's, excluding the Consumer Counsel, share of the statewide General Fund balance for the years ended June 30, 2006 and 2007.



Junkermier • Clark
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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS***

The Legislative Audit Committee
of the Montana State Legislature:

We have audited the financial schedules of the Legislative Branch, excluding the Consumer Counsel (the Legislative Branch), for the fiscal years ended June 30, 2006 and 2007 and have issued our report thereon dated October 25, 2007. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Legislative Branch's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Legislative Branch's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Legislative Branch's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Report on internal control and compliance

Page 2 of 2

Compliance

As part of obtaining reasonable assurance about whether the Legislative Branch's financial schedules are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Legislative Branch in a separate letter dated October 25, 2007.

This report is intended for the information of management and the Legislature and is not intended to be and should not be used by anyone other than these specified parties.

Junkermier, Clark, Campanella, Stevens, P.C.

Helena, Montana
October 25, 2007



Montana Legislative Services Division
Office of the Executive Director

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October 26, 2007

Junkermier, Clark, Campanella, Stevens, P.C.
Certified Public Accountants
P.O. Box 1164
Helena MT 59624-1164

RE: Legislative Branch Audit Response

Dear Junkermier, Clark, Campanella, Stevens, P.C.:

We have reviewed the draft audit report for the Legislative Branch and the conclusion that our agency accounting meets all tested standards and that no recommendations for improvement were necessary.

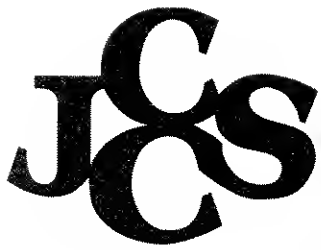
We are also pleased we have a long history of clean audits. The dedication and cooperation of a number of people have made this possible. In particular, the staff of the Financial and Human Resources Office has consistently ensured that high standards of accounting are met and maintained.

Thank you for your work.

Sincerely,

A handwritten signature in cursive script that reads "Susan B. Fox".

Susan Byorth Fox
Executive Director



**Junkermier • Clark
Campanella • Stevens • P.C.**

Certified Public Accountants and Business Advisors

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October 25, 2007

To the Legislative Audit Committee
of the Montana State Legislature:

We have audited the financial schedules of the Legislative Branch, excluding the Consumer Counsel (the Legislative Branch), for the years ended June 30, 2007, and 2006, and have issued our report thereon dated October 25, 2007. Professional standards require that we provide you with the following information related to our audits.

Our Responsibility under Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audits to obtain reasonable, but not absolute, assurance that the financial schedules are free of material misstatement and are fairly presented in accordance with State accounting policy. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audits, we considered the internal control of the Legislative Branch. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial schedules are free of material misstatement, we performed tests of the Legislative Branch's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Legislative Branch are described in Note 1 to the financial schedules.

No new accounting policies were adopted and the application of existing policies was not changed during the fiscal years ended June 30, 2007, and 2006. We noted no transactions entered into by the Legislative Branch during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial schedules prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial schedules and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant estimates affecting the financial schedules.

Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial schedules that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Legislative Branch's financial reporting process (that is, cause future financial statements to be materially misstated). We proposed no audit adjustments that could, in our judgment, either individually or in the aggregate, indicate matters that could have a significant effect on the Legislative Branch's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial schedules or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audits.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial schedules or a determination of the type of auditor's opinion that may be expressed on those schedules, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Legislative Branch's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Legislature and management of the Legislative Branch, and is not intended to be and should not be used by anyone other than these specified parties.

Junkermier, Clark, Campanella, Stevens, P.C.

Helena, Montana